MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 3, 2015/2016

DMG5028 – MANAGEMENT ACCOUNTING 2

(For Diploma Students Only)

1st JUNE 2016
9.00 a.m. – 12.00 noon
(3 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of 7 pages with 4 questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

Part A

Haney Products manufactures 50,000 units of part G-17 each year for use on its production line. At this level of activity, the cost per unit for G-17 is as follows:

Direct materials	RM12.20
Direct labour	12.50
Variable manufacturing overhead	3.30
Fixed manufacturing overhead	9.00
Total cost per part	RM37.00

An outside supplier has offered to sell 50,000 units of part G-17 each to to Haney Products for RM34 per part. If Haney Products buys from the outside supplier, the facilities now being used to manufacture part G-17 could be rented to another company at an annual rental of RM80,000. However, Haney Products has determined that two-thirds of the fixed manufacturing overhead being applied to part G-17 would continue even if part G-17 were purchased from the outside supplier.

Required:

1. Prepare an incremental analysis for the company showing how much net income will increase or decrease.

(12 Marks)

2. Should Haney Products make or buy? Justify your answer.

(2 Marks)

Continued.....

PART B

Wexpro. Inc. produces several products from processing 1 kilogram of calcite, a type of material. Materials and processing costs totalled RM90,000 per ton, one-fifth of which is allocated to produce limestone. Six thousand units of product limestones are produced from each ton of calcite. The units can either be sold at split off point for RM12 each, or processed further at a total cost of RM7,200 and then sold for RM15 each.

Required:

Prepare an incremental analysis and determine whether the limestone product should be sold at split off point or to process further. (10 Marks)

[TOTAL 24 MARKS]

QUESTION 2

Part A

Pedegro Corporation produces industrial equipment for high-definition television. The following information is given for Pedegro Corporation.

	Per Unit	Total
Direct material	RM520	
Direct labour	RM350	
Variable manufacturing overhead	RM240	
Fixed manufacturing overhead		RM1,530,000
Variable selling and administrative expenses	RM120	
Fixed selling and administrative expenses		RM810,000

The company has a desired ROI of 35%. It has invested assets of RM80,000,000. It anticipates production of 45,000 units per year.

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Required:

1. Compute the cost per unit of fixed manufacturing overhead and fixed selling and administrative expenses. (3 Marks)

2. Compute the desired ROI per unit. (Round up your answer to two decimal places). (1.5 Marks)

3. Compute the markup percentage and target selling price using absorption cost pricing. (Round up the markup percentage to three decimal places). (3 Marks)

4. Compute the markup percentage and target selling price using variable cost pricing. (Round up the markup percentage to three decimal places). (3 Marks)

Part B

Wayy Company purchased materials at a cost of RM15,000 and used 2,000 grams of materials during March 2016. Wayy's standard cost of materials per unit produced is based on 1.8 grams per unit at a cost of RM8 per gram. Production in March was 1,300 units.

Required:

Determine the following:

1. Total materials variance. (5 Marks)
2. Material price variance. (4 Marks)
3. Material quantity variance. (4 Marks)
4. Assume that Wayy Company had a favorable labor quantity variance. What is a possible scenario that would provide one cause for the variances computed above and the favorable labor quantity variance? (2 Marks)

[TOTAL 25.5 MARKS]

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QUESTION 3

Part A

Sunshine Company processes fruits at its Kuala Lumpur plant and sells fruit juices and preserves (jam and jellies). It purchases strawberries from a grower in Tanah Rata, Cameron Highland for its Juice Division and purchases pineapples from a grower in Ipoh, Perak for its Preserves Division. Both of its growers are of the same distance from the Kuala Lumpur plant.

Sunshine operates a trucking fleet as a cost centre that charges the divisions for variable costs (drivers, fuel and tolls) and fixed costs (vehicle depreciation, insurance and registration fees) of operating the trucks. Each division is evaluated on the basis of division operating income. For 2015, the trucking fleet had a practical capacity of 350 round-trips between the Kuala Lumpur plant and both growers. It recorded the following information.

	Budgeted	**Actual**
Costs of trucking fleet	RM757,000	RM580,000
Number of round-trips for Juices Division (Kuala Lumpur plant - Cameron Highland)	250	230
Number of round-trips for Preserves Division (Kuala Lumpur - Perak)	130	100

Required:

Using the single-rate method, allocate costs to the Juices Division and the Preserves Division in these three ways.

1. Calculate the budgeted rate per round trip and allocate costs based on round trips budgeted for each division. (5 Marks)

Continued.....

2. Calculate the budgeted rate per round-trip and allocate costs based on actual round trips used by each division. (5 Marks)

3. Calculate the actual rate per round trip and allocate costs based on the actual round trips used by each division. (5 Marks)

Part B

The Miles Company has two products. Product 121 is manufactured entirely in Department A. Product 122 is manufactured entirely in Department B. To produce these two products, the Miles Company has two support Departments: Material Handling Department and Power-Generating Department.

An analysis of the work done by the support departments in a typical period is as follows:

	Used by			
Supplied by	**Material Handling Department**	**Power Generation Department**	**A**	**B**
Material Handling Department	250	200	320	480
Power Generation Department	600	150	250	350

The work done in Material Handling Department is measured by the direct labour hours of materials handling time. The work done in Power Generation Department is measured by the kilowatt-hours of power. The budgeted costs of the support departments for the coming year are:

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	Material Handling Department	Power Generation Department
Variable indirect labor and indirect materials costs	RM78,000	RM65,000
Supervision	RM52,000	RM55,000
Depreciation	RM25,000	RM30,000
	RM155,000	RM150,000

The budgeted costs of the operating departments for the coming year are RM3,500,000 for Department A and RM2,000,000 for Department B. Supervision costs are salary costs.

Required:

What are the allocations of costs of support departments to operating departments using:

1. Direct Method

(5.5 Marks)

2. Step-Down Method

(6 Marks)

[TOTAL 26.5 MARKS]

QUESTION 4

Glamm Handbag Company manufactures and sells alligator embossed handbags called Queen. The following data are available for preparing budgets for Queen for the last two quarters of 2016.

1. Sales for quarter 3 is 3,500 units and quarter 4 is 5,800 units. Selling price is RM550.
2. Direct materials : each unit of Queen requires 40 grams of buffalo leather at a cost of RM65 per unit and 5 grams of wax at RM2.50 per unit.

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3. Desired inventory levels:

Type of inventory	June-16	Sept-16	Dec-16
Queen (handbags)	1,300	2,100	1,200
Buffalo leather (grams)	840	1,250	450
Wax (grams)	650	1,140	330

4. Direct labour: direct labour time is 2 hours and 30 minutes per unit at an hourly rate of RM25 per unit.
5. Selling and administrative expenses are expected to be 20% of sales plus RM180,000 per quarter.
6. Income taxes are expected to be 28% of income from operations.

Your assistant has prepared two budgets. The manufacturing overhead budget shows expected costs to be 160% of direct labour cost. The direct materials budget for Glamm Handbag Company shows that the cost of purchases to be RM680,000 in quarter 3 and RM850,000 in quarter 4.

Required:

Prepare the following budgets for the last six months of year 2016.

1. Sales Budget

(4.5 Marks)

2. Production Budget

(7.5 Marks)

3. Direct Labour Budget

(7.5 Marks)

4. Selling and Administrative Expenses Budget

(4.5 Marks)

[TOTAL 24 MARKS]

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